

UTILITY ADVISORY BOARD

Thursday, December 19, 2013

8:00 a.m.

Walker City Hall, Commission Chambers

4243 Remembrance Road, NW

(Breakfast will be served)



AGENDA

1. Approval of Minutes – November 21, 2013 (attachment)
2. Public Comment on Agenda Items
3. 2013 Rate Study Follow Up Items
4. Financial Reports
 - Q1-FY14 Operational Graphs (attachment)
 - Q1-FY14 Financial Reports (to be provided at meeting)
5. ACSET / Individual Circuit Breaker
 - 2007-2013 Comparative ACSET/ICB Report (attachment)
 - Proposed Eligibility Guidelines for 2014 (attachment)
6. Update on Proposed Caledonia Township Wholesale Agreement
7. Review of UAB History (attachment)
 - Smart Growth Article, February 2000
 - Timeline
 - USD changes/Rate History/Integrated Connection Fee History
8. Contract Awards for November, 2013 – no awards
(CY2013 Report available in January)
9. Acceptance of 2014 UAB Meeting Schedule (attachment)
10. Updates:
 - a. EMA Study
 - b. 3-1-1 / Customer Information System
 - c. Sewer Use Ordinance
 - d. Renewal of Agreement with Consumers Energy for Green Energy (attachment)
11. Items from Members
12. Next Meeting – Thursday, January 16 - where?
13. Adjournment

**Utility Advisory Board
November 21, 2013**

1. Call to Order:

The meeting was called to order by Eric DeLong, at 8:00 a.m. at Grand Rapids Water Office, 1900 Oak Industrial Drive NE.

2. Attendance:

Members Attending:

Eric DeLong
Brian Donovan
George Haga
Wayne Jernberg
Mike Lunn
Pam Ritsema
Ed Robinette
Chuck Schroeder
Ben Swayze
Joellen Thompson
Cathy VanderMeulen
Ron Woods

Others Attending:

Haris Alibasic
Geri Eye
Nancy Meyer
Nicole Pasch
Breese Stam

Members Absent:

Scott Buhner
Mark DeClercq
Toby VanEss
Josh Westgate

Ron Woods introduced Tim Bradshaw, currently Asst. City Engineer in Kentwood. He will be appointed as City Engineer on December 3. Tim will be the alternate for the next year for the City of Kentwood. Eric DeLong asked that Pam Ritsema facilitate a meeting where Mr. Bradshaw can meet Grand Rapids staff and learn about operations.

3. Approval of Minutes:

Motion 13-14: Ed Robinette, supported by Ron Woods, moved to approve the minutes of the October 17, 2013, Utility Advisory Board meeting as presented. Motion carried.

4. Public Comment: There was no public comment.

5. Transformation Update

Energy Rebate - Mike Lunn indicated that a rebate has been received from Consumers Energy. He introduced Todd Duncan and Karen McCarthy who were in attendance from Consumers Energy (CE). Mr. Lunn reported that the UAB earlier approved \$143,000 for

implementation of a Real Time Controller with Hach. An application for a rebate of \$40,000 was completed. However, CE indicated that we really should be getting more like \$58,000. Todd Duncan then presented a check to the City for \$58,728.40. He noted that we should see about the same amount as this each year in reduced energy costs through this project.

Solar Panel Array at 1900 Oak Industrial Drive – Joellen Thompson reported that the solar panels have been in place for 17 months. A handout was distributed with a summary of the cost and performance to date. The payback period on the City's costs is estimated at about 13 years. The panels have been producing more power than was predicted. We occasionally produce slightly more than what the building can use and that power goes back to the grid.

Eric DeLong asked why power use spiked in 2011. Ms. Thompson noted that it was probably due to increased costs and high usage in summer and winter. Ms. Thompson indicated that we are pleased with the performance overall. She noted that staff have found it helpful having the monitor in the lobby so it's noticed quickly when the system goes offline or needs attention.

Ron Woods asked about operations and maintenance of the system. Ms. Thompson noted that it has been minimal. We really haven't had to do anything but work on the monitoring system when it's gone offline a couple of times.

Eric DeLong indicated we are looking at solar at the Lake Michigan Filtration Plant, the Wastewater Plant and at the Butterworth Landfill site. Mike Lunn noted that the project at Oak Industrial Drive will inform our work going forward

Mike Robinette noted that without the DOE grant, it might not have been such a good deal. Haris Alibasic noted that the payback is based on Grand Rapids costs only so he feels it still is a good payback. He noted, however, that we may not have taken cost increases into consideration when calculating the payback. Joellen Thompson agreed that this was not included in the calculation.

It was noted that at Lake Michigan Filtration Plant and the Wastewater Treatment Plant there wouldn't be any excess energy generated to go to the grid. We would be able to use all of the power right on site.

6. 2013 Rate Study

Eric DeLong reported that the Rate Study was presented to the Grand Rapids City Commission on November 19.

Geri Eye referred members to the information provided in the packet and reviewed it briefly. She noted that our rate methodology has been very consistent over the last 36 years since we have been doing rate studies. This year we will see an overall decrease in rates of 1.4%.

She referred members to the first table in the packet which shows the overall reduction in rates for water is 4.3% and the increase for sewer is 2.6%.

Cathy VanderMeulen asked about the impact on rates for the average industrial user in addition to the residential user. Geri Eye noted that she thinks the system might be able to capture this type of information, and she will make a note to see if she can pull this out.

Ben Swayze noted that there was a big change in the usage assumptions. Geri Eye noted that this is actual tracking of billed flow that is used to determine these averages.

Ron Woods noted that we looked at averaging to take away yearly fluctuations depending on weather. He uses a five-year average on usage when figuring rates for their area in the Wyoming system. Geri Eye noted that this is a good suggestion so we might want to consider this and look into it more. Eric DeLong noted that we are already using smoothing in the rates that probably takes care of this.

It was noted that we may change the ACSET guidelines somewhat so that the individual circuit breaker is supportive to more. We have found that we are helping the same individuals each year so we are more of an enabler than an assister so we want to look at making some changes to alleviate this somewhat.

Eric DeLong noted the items that Water and Sewer have been doing to keep operation and maintenance costs low. Staff discussed how we have lowered FTE's, etc.

Cathy VanderMeulen asked if there was a benchmark or a best practice of where we want to be for operations. Eric DeLong noted he and Pam Ritsema have been looking at this. They are looking for metrics that matter and that we should be tracking. He noted that in the next Master Plan we may want to focus more deeply on smaller, neighborhood level systems rather than just the large systems.

The City Commission will hold a public hearing on the rates at 7:00 p.m. on December 3. Final approval will then take place on December 17.

Brian Donovan asked what document best explains the decreases and increases that could be provided to their boards/commissions. Eric DeLong indicated a memo similar to the one provided today along with all the charts provided today is provided to the Grand Rapids City Commission.

Ms. Eye noted that each customer community still has an opportunity to make a contribution to buy their rates down to a lower amount for their customers. Wright Township has already made a contribution and Grand Rapids Township has indicated they will be making a contribution. She needs this information before the first week in December.

7. Renewal of Agreement with Consumers Energy for Green Energy

Mike Lunn noted that this was discussed briefly at the last meeting. He is working on a list of projects that we could do for renewable energy, and we should have these reports soon. We will probably have the project list in January.

Mr. Lunn indicated that, today, they just wanted to talk with the UAB about continuing the current contract with Consumers Energy. Haris Alibasic noted that he has indicated to Consumers that they need to strengthen their relationship with the customer communities. Consumers is working on some incentives that could be implemented in each of these communities. We have received over \$200,000 for energy rebates from Consumers over the last few years. The contract renewal is a total cost of \$116,000 annually. Mr. Alibasic noted that he is always working with Consumers on lowering the cost of the blocks. The current rate is \$1.05 per green block.

Ed Robinette asked about using the \$116,000 to put toward reducing energy usage through the system. Haris Alibasic noted that this region is seen as a leader in renewable energy and not renewing this would be seen as going back on our commitment to renewable energy.

Brian Donovan noted that he thinks it's better to spend the money in the system to reduce energy costs. Mike Lunn noted that, for the money, we don't get the same impact as we do by purchasing the green blocks.

Cathy VanderMeulen asked when the current contract expires. Haris Alibasic noted that it expires next week. She felt maybe we need to have the information on projects available prior to making a decision.

Eric DeLong noted that this cost has already been incurred so there is no impact on rates to renew it. Taking out the \$116,000 really has basically no impact on rates.

Ron Woods stated that he doesn't think the City has the support of the customer communities on this. Eric DeLong asked if this could be done if it was allocated 100% to Grand Rapids.

Motion 13-15: Ron Woods, supported by Cathy VanderMeulen, moved to accept the renewal of the Green Generation Participation Agreement with Consumers Energy if the cost is a non-integrated cost allocated to the City of Grand Rapids. Motion carried.

Mike Lunn asked if the City Commission could change the amount of blocks we invest in since Grand Rapids is paying 100%. Eric DeLong indicated that this could be considered.

8. Update on FEMA Flood Damage Reimbursement

Haris Alibasic reported that we have provided estimates on the cost of the work for the flood experienced in Spring 2013. FEMA has now approved the final numbers for us.

They have approved approximately \$741,000 for the wastewater treatment plant, of which we will receive 75% reimbursement.

9. Review of UAB History

Eric DeLong noted that the information provided in the packet is the beginning of an outline. He asked members to review this and make comments/suggestions on it. It's an interesting history, and we should be able to use it.

Mr. DeLong then turned the meeting over to Mr. Donovan, Vice Chair.

10. Contract Awards for September, 2013

Breese Stam reported on the contract awards provided in the meeting materials.

11. Updates

EMA Study – Pam Ritsema reported that this study is on time and on budget. We expect to have a draft by the end of the year.

311 – Pam Ritsema reported that there was information provided in the meeting packet.

Add to Tax – Nicole Pasch reported packets were sent out on time. The debt is now out to the communities. It seems to have worked well for both the City and communities this year. The amount turned over to tax this year was significantly less than in past years.

Sewer Use Ordinance

Mike Lunn reported that East Grand Rapids is complete, but he needs to receive a copy. He now has Ada's. Cascade is done. Kentwood just adopted theirs on Tuesday. Tallmadge will not adopt theirs until January. All others are done.

Caledonia Wholesale Agreement – Pam Ritsema reported that a draft agreement was sent out to members separate from the packet. Caledonia would be a wholesale customer in the system. They are experiencing some capacity issues so they have asked if we could start taking some of their sewage and treat it at the City. They also asked for a phased-in approach which would take place over a two-year period. Sewage will need to flow through Gaines Township to reach Grand Rapids and there is a separate agreement between Caledonia and Gaines that they have successfully worked out. She then explained how the phase-in would work. She also noted that Caledonia would have a member appointed to the UAB.

Motion 13-16: Ed Robinette, supported by George Haga, moved to recommend the agreement to the Grand Rapids City Commission for approval.

Ron Woods asked if this agreement was discussed previously. Ms. Ritsema indicated that it has briefly been discussed with the UAB as negotiations took place, but this is the first time that a draft agreement has been available.

Mr. Woods asked who was involved in negotiating this agreement for Caledonia. Ms. Ritsema indicated that Jim White is the attorney that has been working with Dick Wendt on this.

Mr. Woods asked why this is an addendum. Geri Eye explained that an Addendum is used when it is a separate agreement with one community and Amendment actually changes the agreement that is in place with all the customer communities.

Ron Woods asked what happens if they don't meet the deadline for the phase-in. Pam Ritsema noted that, if they don't begin by December 31, 2014, the agreement terminates. She's not sure what would happen in 2023 if they don't meet the deadline.

Mr. Woods noted that bills and fees need to be based on the actual cost of service. Will they be billed on the actual flow volume? Pam Ritsema and Geri Eye indicated that they will. However, if they don't meet the minimum flow, they will be charged a penalty fee.

Ron Woods asked about flow volume to Plaster Creek. Chuck Schroeder said it is only about 10,000 gpd which is not much. Mr. Woods noted that this flow wasn't included in the work done on the Plaster Creek interceptor which the Master Plan indicates needs to be updated at some time. Mr. Schroeder agreed but noted that it hasn't been sized yet.

Mr. Woods has more questions that he needs to bring forward to Chuck Schroeder and Dick Wendt before this should be recommended to the City Commission for action.

Motion to Postpone (13-16): George Haga, supported by Ron Woods, moved to postpone the motion on the table and to bring back it up at the next meeting. Motion carried.

Cathy VanderMeulen asked if there are impacts to other wholesale customers. Brian Donovan noted that he doesn't think it really impacts the other communities.

12. Items from Members

There were no items from members.

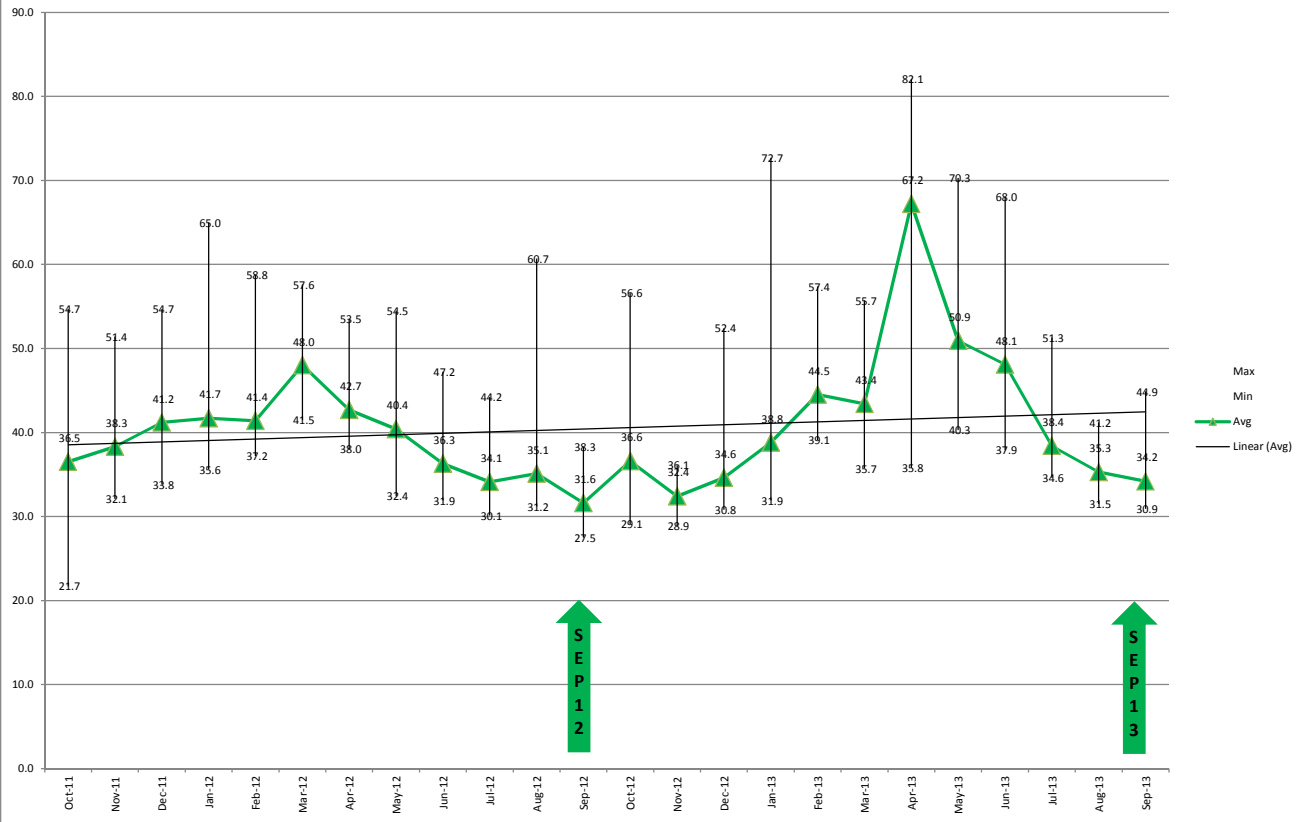
13. Next Meeting:

The next meeting of the Utility Advisory Board is scheduled for Thursday, December 19, and will be held at Walker City Hall, Commission Chambers, 4243 Remembrance Rd., NW. Holiday breakfast will be served.

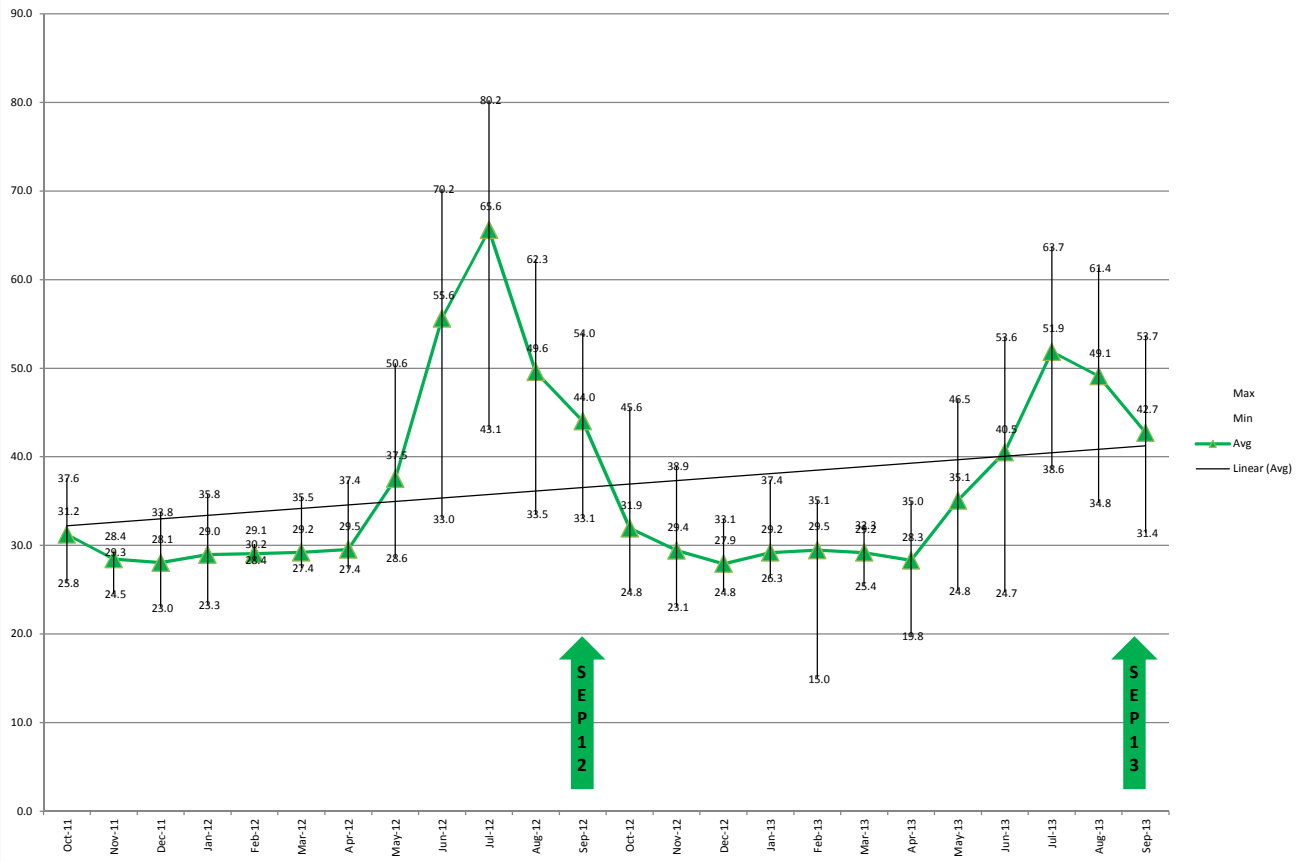
14. Adjournment

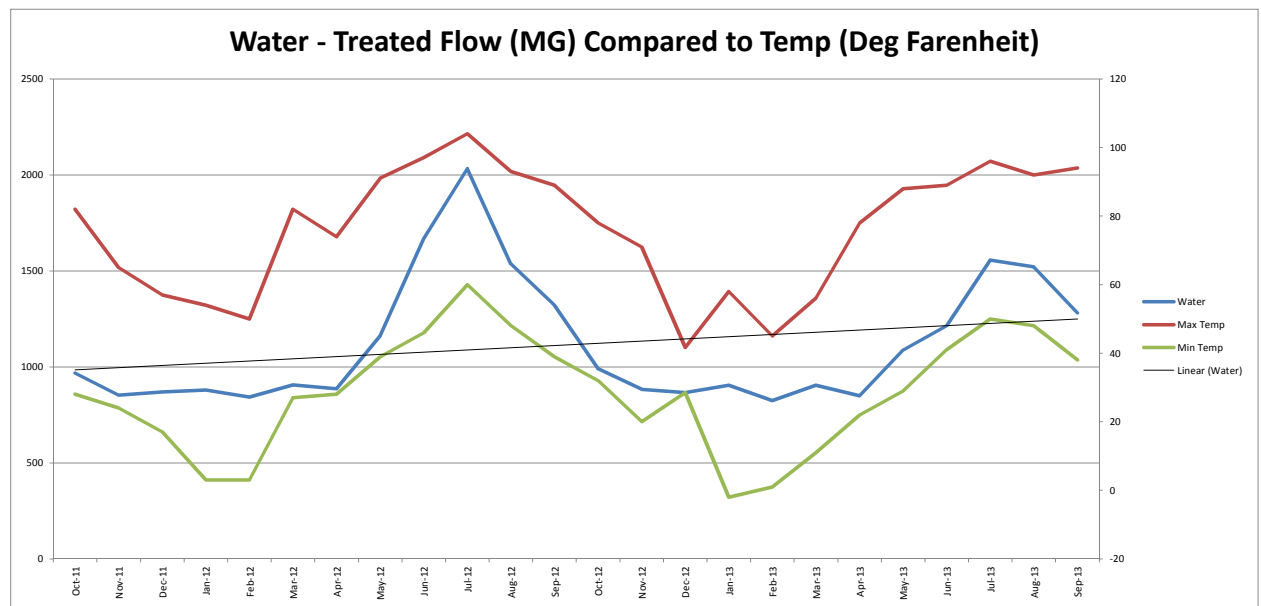
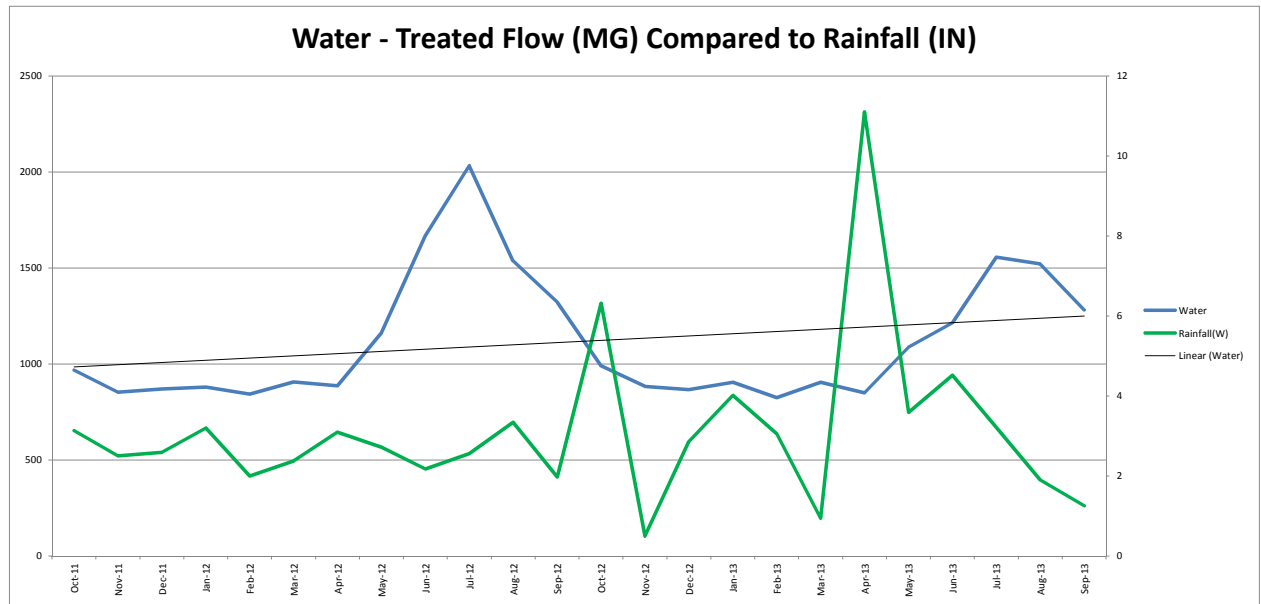
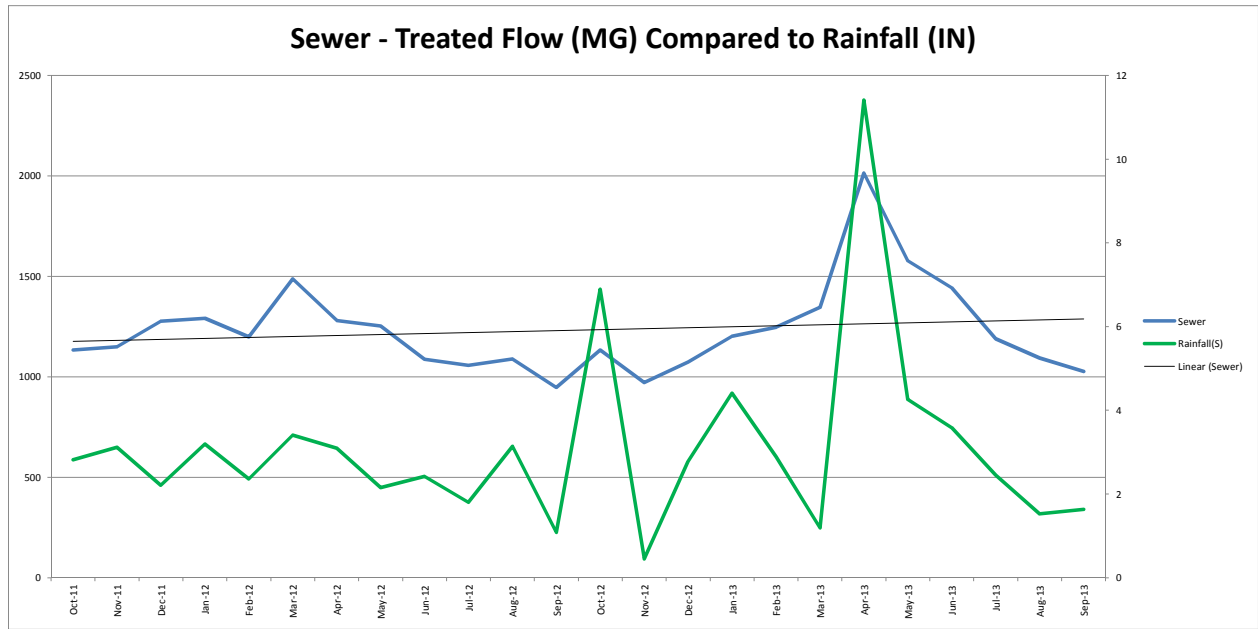
The meeting was then adjourned.

Sewer - Treated Flow (MGD)

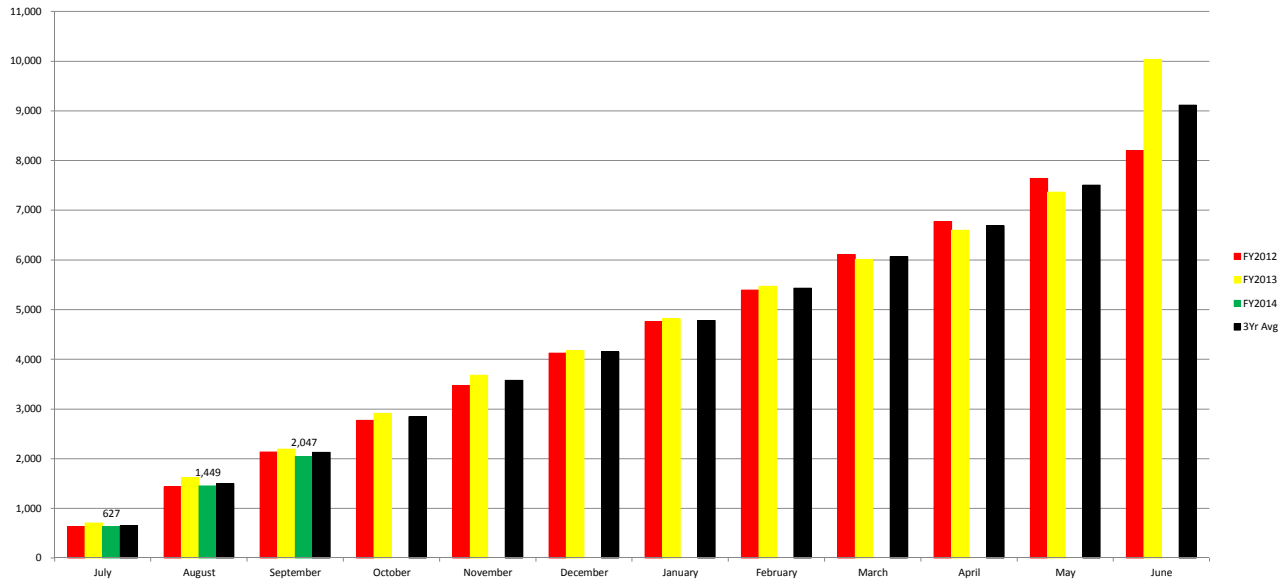


Water - Treated Flow (MGD)

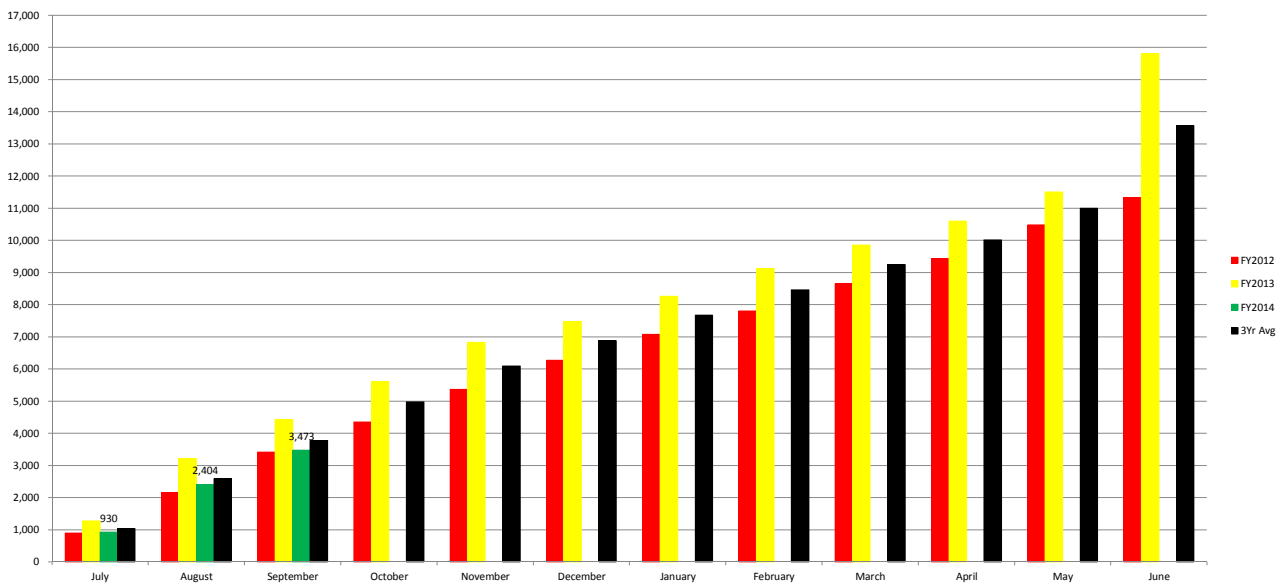




Sewer - YTD Billed Flow (MG)



Water - YTD Billed Flow (MG)



Area Community Service Employment Training Council (ACSET)
Water/Sewer Assistance - ICBAP
Contract Summary
2007 - 2013

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| City of Grand Rapids | | | | | | | |
| ICBAP Authorized | \$ 143,655.00 | \$ 167,859.00 | \$ 158,006.00 | \$ 153,160.00 | \$ 136,652.00 | \$ 128,979.00 | \$ 116,000.00 |
| First Draw Disbursement | (80,000.00) | (80,000.00) | (80,000.00) | (80,000.00) | (80,000.00) | (30,000.00) | (29,106.00) |
| Second Draw Disbursement | (63,655.00) | (87,859.00) | (78,006.00) | (73,160.00) | (40,000.00) | (30,000.00) | (29,106.00) |
| Third Draw Disbursement | - | - | - | - | (16,652.00) | (60,000.00) | (29,106.00) |
| Available ICBAP Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,979.00 | \$ 28,682.00 |
| ACSET | | | | | | | |
| ICBAP Authorized | \$ 143,655.00 | \$ 167,859.00 | \$ 158,006.00 | \$ 153,160.00 | \$ 136,652.00 | \$ 128,979.00 | \$ 116,000.00 |
| First Draw Receipt | (80,000.00) | (80,000.00) | (80,000.00) | (80,000.00) | (80,000.00) | (30,000.00) | (29,106.00) |
| Second Draw Receipt | (63,655.00) | (87,859.00) | (78,006.00) | (73,160.00) | (40,000.00) | (30,000.00) | (29,106.00) |
| Third Draw Receipt | - | - | - | - | (16,652.00) | (60,000.00) | (29,106.00) |
| Available ICBAP Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,979.00 | \$ 28,682.00 |
| Assistance Award(s) | \$ 129,292.30 | \$ 151,080.34 | \$ 142,205.00 | \$ 138,016.20 | \$ 122,986.80 | \$ 71,562.81 | \$ 77,379.18 |
| Administrative Fee(s) | 14,362.70 | 16,778.66 | 15,801.00 | 15,143.80 | 13,665.20 | 7,157.19 | - |
| Total ICBAP Used | \$ 143,655.00 | \$ 167,859.00 | \$ 158,006.00 | \$ 153,160.00 | \$ 136,652.00 | \$ 78,720.00 | \$ 77,379.18 |
| ICBAP Authorized | \$ 143,655.00 | \$ 167,859.00 | \$ 158,006.00 | \$ 153,160.00 | \$ 136,652.00 | \$ 128,979.00 | \$ 116,000.00 |
| Total ICBAP Used | (143,655.00) | (167,859.00) | (158,006.00) | (153,160.00) | (136,652.00) | (78,720.00) | (77,379.18) |
| Remaining ICBAP Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50,259.00 | \$ 38,620.82 |
| Refunded ICBAP Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 41,280.00 | \$ 9,938.82 |

Demographic Summary

| | | | | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Household(s) Served | 290 | 259 | 474 | 420 | 356 | 221 | 232 |
| Person(s) Served | 982 | 881 | 1,562 | 1,337 | 1,175 | 755 | 790 |
| Average Household Size | 3.39 | 3.40 | 3.30 | 3.18 | 3.30 | 3.42 | 3.41 |
| Single Head of Family Served | 136 | 122 | 231 | 192 | 195 | 137 | 142 |
| Average Assistance Amount | \$ 445.84 | \$ 583.32 | \$ 300.01 | \$ 328.61 | \$ 345.47 | \$ 323.81 | \$ 333.53 |
| Failed Screening Process | 149 | 208 | 149 | 229 | 65 | - | - |
| Denied After Completed Process | 1 | 3 | 1 | 11 | 3 | - | - |
| Repeat Household(s) Served | 121 | 128 | 211 | 177 | 146 | 62 | n/a |

Jurisdiction Summary

| | | | | | | | |
|-----------------------|-----|-----|-----|-----|-----|-----|-----|
| Grand Rapids | 279 | 248 | 448 | 415 | 334 | 214 | 224 |
| Cascade Township | 0 | 2 | 3 | 1 | 1 | 2 | 1 |
| Grand Rapids Township | 1 | 0 | 1 | 1 | 3 | 1 | 1 |
| Kentwood | 3 | 2 | 3 | 0 | 5 | 1 | 1 |
| Tallmadge Township | 0 | 1 | 0 | 0 | 1 | 0 | 0 |
| Walker | 7 | 6 | 18 | 3 | 12 | 3 | 5 |
| Wright Township | 0 | 0 | 1 | 0 | 0 | 0 | 0 |

MEMORANDUM

CITY OF GRAND RAPIDS

DATE: December 16, 2013

TO: UAB Members

FROM: Nicole Pasch, Business Manager

SUBJECT: ACSET GUIDELINES

The City of Grand Rapids Utility Business Office recommends the following changes to the Eligibility Guidelines that pertain to the ACSET-ICB Contract 2012 – 2014.

ACSET continues to provide oversight of the contract and agrees with the proposed changes.

Eligibility Requirements:

- Eliminate phrase "1st Request" and add "Home Repair Services (HRS)" as a referral program for leaks, refer all customers to available programs.
- Eliminate line "2nd (or more) Request- 10% co-payment Required.

Eligible Activities:

- City of Grand Rapids Water/Sewer Bill Statements.
- One time assistance every other calendar year maximum, eligibility opens in calendar year 2014.
- Maximum assistance not to exceed \$500.00.

NNP

ACSET Program Overview
Individual Circuit Breaker Assistance Program
WATER Assistance (01/21/2013 – 12/31/2013)
01/18/2013

Eligibility Requirements:

- Must be at or below 200% of current federal poverty limit- income calculated on 30 days forward including the date of application (up to 15% of clients can be at or below 250%)
- Client must be a Grand Rapids Water System / Sewer System customer.
- Client must provide a copy of the City of Grand Rapids Water and Sewer utility bill in their name.
- **Client must be in shut-off status and/or service must be off.**
- Client must be property owner and the principle resident of the property, or the legal tenant of the property with water sewer payment responsibility (bill in their name).
- These funds may be used for clients whose water/sewer assistance needs exceed SER payment maximums and for clients who have not met their required payments.
- Funds will be coordinated with local agencies, to the extent possible.
- **1st Request-** Referral to ACSET'S Weatherization Program, "Money Management, Home Heating Tax Credit (HHTC) and the Earned Income Tax Credit (EITC).
- **2nd (or more) Request-** 10% co-payment Required
- It is the intent of this program that payments are made only if they resolve the household's emergency. Payments will only be authorized when the payment will resolve or continue the household's water service for at least 30 days.

Ineligible Activities:

- Cannot pay reconnect fees or deposits.

Eligible Activities:

- City of Grand Rapids Water Bill Payments
- One time assistance per calendar year- not to exceed \$1000.00

To Apply: North East Complex 836 Fuller NE 336-7740 Appointment Only
West Side Complex 215 Straight NW 336-4180 Appointment Only

South East Complex 121 Franklin SE 336-4000 Walk-in-Only
Mon., Tues., Wed., 9:00am-1:00pm Thurs. 1:00pm – 4:00pm

Para Servicios en Español 336-4004

ACSET Program Overview

Individual Circuit Breaker Assistance Program

WATER Assistance (01/01/2014-12/31/2014)

12/31/2013

Eligibility Requirements:

- Must be at or below 200% of current federal poverty limit – income calculate don 30 days forward including the date of application (up to 15% of clients can be at or below 250%)
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- These funds may be used for clients whose water/sewer assistance needs exceed SER payment maximums and for clients who have not met their required payments.
- Funds will be coordinated with local agencies, to the extent possible.
- Referral to ACSET's Weatherization Program, "Money Management, Home Heating Tax Credit, Home Repair Services (HRS) if necessary (HHTC, and the Earned Income Tax Credit (EITC).
- It is the intent of this program that payments are made only if they resolve the household's emergency. Payments will only be authorized when the payment will resolved or continue the household's water service for at least 30 days.

Ineligible Activities:

- Cannot pay reconnection fees or deposits.

Eligible Activities:

- City of Grand Rapids Water/Sewer Bill Statements
- One time assistance every other calendar year maximum, eligibility opens in calendar year 2014.
- Maximum assistance per two-year period not to exceed \$500.00

To Apply:

South East Complex 121 Franklin SE 336-4000 Walk-in Only

Para Servicios en Español 336-4004

Getting Smart!

The newsletter of the Smart Growth Network

FEBRUARY 2000

VOLUME 3, NUMBER 1

INSIDE THIS ISSUE

Getting Smart by Growing TREES . . . 1

The Role of Development in North
Carolina's "Flood of the Century" . . . 1

Letter from the Editor 2

Smart Growth Cornucopia . . . 4, 6, 12

New Water and Sewer Partnership
Creates a Platform for Key Regional
Issues 5

Spotlight On: The Trust for Public
Land 7

GMLA Insert 8

Partner Update 10

Web Resources 12

Tool Box 13

Scenic America Announces 1999
"Last Chance Landscapes" . . . 14

Calendar of Events 16

New Water and Sewer Partnership Creates a Platform for Key Regional Issues

by Eric DeLong and James Hatch

The city of Grand Rapids, Michigan, and surrounding communities have developed a new regional partnership to manage growth and improve livability through an innovative approach to water and sewer service agreements. The partnership directly integrates many smart growth concepts and builds a solid platform for future cooperation in the region.

The lineage of these agreements can be traced back a decade to initial discussions among a loose association of local mayors and other concerned members of the community. Out of these discussions was born the Grand Valley Metropolitan Council (GVMC), a partnership of two counties and 29 cities, villages, and townships, designed to help the region manage traffic, sprawl, and the needs of the neighborhoods through collaboration.

The Metropolitan Blueprint process, completed in 1994, was one of the first GVMC projects. It engaged hundreds of local actors in the process of generating a vision for the Grand Rapids metropolitan area to preserve open lands and natural areas, establish compact business centers and neighborhoods served by mass transit, and manage development.

Time for a New Direction

It was in this environment that the city of Grand Rapids found itself at a crossroads. Grand Rapids provided water and sewer service under contract to five cities and nine townships, representing roughly half of the region's homes and business. In 1996, one of its 10 agreements was about to expire. There were clear choices: Grand Rapids could either continue the former "economic util-

ity" model that sought sales and customers at almost any cost, or the city could try to model the smart growth concepts of the Blueprint in the new agreement. One path represented a continuation of policies from the 1960s, but the other would clearly seek to actualize smart growth concepts by managing development and its costs and consequences by planning sewer-line extensions.

The city chose the more evolutionary path and was joined by its customer communities. A policy team was formed consisting of the mayor and two city commissioners from Grand Rapids; also a delegation representing the interests of 10 customer communities consisted of the mayors of Walker and Kentwood and the supervisor of Grand Rapids Township.

The policy team engaged in a 15-month examination of concepts it called discussion points. Its members gave significant weight to the policy statements of the GVMC City-Township Cooperation Committee. In all, the team identified 33 discussion points and critically examined them. Among them were the following proposed tenets:

- Urban sprawl is undesirable and should be controlled
- Growth should pay for growth
- A utility advisory board should be formed to monitor utility practice
- Communities should develop utility master plans for the development and financing of their utility systems
- The plans should promote regional financial equity
- An urban growth boundary should be established

- And a variety of tools should be used to manage growth.

In all, the policy team achieved "agreement in principle" on 26 of the 33 discussion items, setting the stage for draft agreements.

Contract drafts were exchanged more than once. The drafts showed differences but demonstrated that each party had clearly worked to integrate the discussion points into the agreements. The policy team then catalogued the differences and assigned them to a technical team for resolution. Through the summer of 1998, this team worked, delivering its recommended contracts to the policy team that August.

Proposed agreements consisted of an innovative Water/Sewer Agreement and a related, breakthrough Urban Cooperation Agreement. By November of 1998, the policy team was ready to give the agreements their debuts.

Water/Sewer Agreement

This agreement forged a new, cooperative partnership for the governance and operation of the water and sewer system. It also drew an urban service boundary, defining where water and sewer lines would extend in the future. The agreement:

- Created a consensus-based utility advisory board to serve as a clear voice in decision making for customer communities.
- Put life into the concept that "growth pays for growth."
- For the first time, provided economic incentives for communities to make sustainable land use decisions, by introducing a land area calculation into the rate base.
- For the first time, provided economic incentives for individuals to make sustainable land use decisions by introducing a lot-size calculation into one-time connection fees. The calculation discounts or increases

(continued on page 6)

("Partnership" from page 5)

the fees assigned to lots, based upon their sizes relative to a base lot size.

- Established a new, sprawl-inhibiting urban utility boundary that sets a current limit on the outward expansion of service areas.
- Removed politics from project approval and from the determination of service-area boundaries by mapping utility service districts and setting rational standards for their expansions within the urban utility boundary.
- Eliminated the "poison pill" language that currently puts certain communities—those faced with the expansion of very costly facilities—at a disadvantage.
- Defined, then required, good utility practices like master planning, looping of mains, and capital programming.

Urban Cooperation Agreement

The most unusual outcome of this new partnership has been the development of an Urban Cooperation Agreement, which will serve to target important new resources toward regional issues. A consensus-based urban cooperation board (UCB) is being formed that will determine how dues paid by member communities will be disbursed to address regionwide purposes such as:

- Purchases of development rights
- Housing and human services

- Recreational/cultural facilities or activities

- Planning activities

- Disaster recovery/emergency services.

Dues will begin at \$1 per capita and will increase over time according to a formula. Members of the UCB will include all signatories to the Water/Sewer Agreement, as well as other communities outside of the water/sewer system that may choose to join the UCB. The UCB will have, for the first time in the Grand Rapids region, the ability to target funds to key regionwide issues.

Status

So far, the city of Grand Rapids and five customer communities have executed the agreements. Together, these communities represent more than 80 percent of the customer base and billed volume of the system.

The city's remaining customers continue to consider the agreements and are divided into two camps, those that likely will sign the agreements in the reasonably near future and those that intend to hold out until their present agreements expire. Holdouts have challenged the new rate methodology, put forward a contrarian view of the use of economics to provide land use incentives, and argued that the agreements may have unintended consequences.

Regional Impact and Potential

The agreements are the Grand Rapids region's first significant effort to

put smart growth principles into play. They address sprawl in several key ways: by assigning a cost to the use of land, by requiring growth to pay for growth, by setting rational criteria for the expansion of utility service areas, and by using smart growth principles and good utility practice to ensure that utilities and growth patterns match up. And there will be a continuing discussion at the utilities advisory board. The Urban Cooperation Agreement creates a framework for additional progress by setting up a forum where conversations can take place and where they are followed up by targeted resources.

While the agreements set a benchmark that is clearly a significant step forward, continued work is required to add more tools to the region's toolbox. Remaining issues to be dealt with include indiscriminate septic-tank use, gaps in the new urban utility boundary, and the proliferation of wastewater treatment plants. Each issue challenges the continued prosperity and quality of life of this region.

But each new challenge also presents an opportunity for solutions that use the partnership framework established in the Grand Rapids regional agreements.

Eric DeLong is deputy city manager, city of Grand Rapids, Michigan; and can be reached at 616/456-3119 or via e-mail at edelong@iservu.net. James Hatch is city manager, city of Walker, Michigan, and can be reached at 616/791-6850 or via e-mail at hatwalk@iservu.net.

Smart Growth Cornucopia

Sprawl and Your Health

The Centers for Disease Control and Prevention recently conducted a study that showed a nationwide rise in obesity rates from 12 percent in 1991 to 17.9 percent last year. While this increase has resulted from many factors, one of the study's authors, Dr. William Dietz, cites the suburbs as a major contributor: "Sprawl around Atlanta ... keeps people 'trapped in their cars for hours,' ... makes the captives gulp 'greasy fast food,' and steals their time for exercise." For more information, visit the Smart Growth Network's Web site at <http://www.smartgrowth.org>.



Getting Smart!

Volume 3 Number 1

UTILITY ADVISORY BOARD – Official Actions Taken 1999 – 2013

| | |
|--------------------|---|
| January 1, 1999 | Retail & Wholesale Water & Sanitary Sewer Service Agreement |
| April 7, 2000 | First Amendment – Integrated Connection Fees |
| October, 2000 | Addendum with Wright Township for Sewer |
| June 12, 2002 | First Amendment to Addendum with Wright Township (costs, etc.) |
| July 1, 2002 | Second Amendment – Integrated Connection Fees |
| June 10, 2003-2007 | Meijer/Algoma Township Sewer Agreement |
| 2004 | First 5-year Extension approved to 2033 |
| 2005 | Utility Master Plan Completed |
| 2005 – 2006 | Rate Review Sub-Committee meets and makes recommendations to UAB |
| May 18, 2006 | Policy #06-01 – Downward Adjustment of Area Calculation for the Determination of Water & Sewer Connection Fees for Residential Development |
| December 1, 2006 | Third Amendment – Border Line Agreements; Individual Circuit Breaker; City and Customer Community Circuit Breaker; Rate Smoothing; USD Boundary extension into adjoining municipality |
| February 21, 2008 | Policy #08-01 – Urban Mixed Use Development Connection Fees |
| February 21, 2008 | Policy #08-02 – Water Use Restriction Policy |
| 2009 | 2 nd 5-year Extension approved to 2038 |
| April 15, 2010 | Policy #10-01 – USD Reduction Policy Standards |
| August 1, 2010 | Fourth Amendment – Average Billed Flow; Prepay Capital Reserve Requirement; Rate Setting Methodology |
| 2010 | Utility Master Plan Update Completed |
| 2010 | Rate Review Sub-Committee meets and makes recommendations to UAB |
| October 20, 2011 | Policy #11-01 – Prepay of Capital Reserve Requirement |

UTILITY ADVISORY BOARD – Accomplishments 1999 – 2013

- 1/1/1999 – 1/12/2010 The Urban Cooperation Agreement provided for the pooling of resources on an equitable basis for common, region-wide purposes, with an emphasis on projects affecting regional cooperation or the elimination of regional disparities. Over \$1.4 Million were awarded to over 100 projects throughout the system. Eligible activities included Purchase of Development Rights; Housing and Human Services; Recreational or Cultural Activities or Facilities; Planning Activities; Brownfield Redevelopment; Transportation; Disaster Recovery; and Emergency Services.
- Strengthened working relationships
- Managed transitions in membership
- Resolved a significant environmental issue in Wright Township
- Developed sanitary sewer solutions in Tallmadge Township
- Guided growth to the Utility Service District (USD)* and preserved the Urban Utility Boundary (UUB)
Water—2000 USD 142.31 sq. mi. / 2013 USD 129.13 sq. mi. (down 13.18 sq. mi.)
Sewer—2000 USD 134.75 sq. mi. / 2013 USD 117.82 sq. mi. (down 16.93 sq. mi.)
- Created certainty for communities and investors
- Moved toward asset management
- Focused on reducing operating costs and building a financially sustainable platform
- Made strategic renewable energy investments based on ROI
- Provided fresh water to neighborhoods dealing with contaminated ground water, i.e. Flowers Crossing; Lacks Industries; and a subdivision in Cascade Township
- Established the Cross Connection Disconnection Program
- Established the Footing Drain Disconnection and Sump Pump Programs
- Revamped Customer Service/Utility Business Office
- Established a 3-1-1 Call Center
- Focused on moderating rate performance*

*See Attachment

CITY OF GRAND RAPIDS, MICHIGAN
WATER/SEWER UTILITY SERVICE DISTRICT AREAS FOR UAB PARTNERS

Friday, November 15, 2013

KEY:

Reductions
 Additions

| | WATER - RATE STUDY YEAR | | | | | | | | | |
|-----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| UAB Partners | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Grand Rapids | 45.30 | 45.30 | 45.36 | 45.36 | 45.36 | 45.36 | 45.36 | 45.36 | 45.36 | 45.36 |
| Walker | 25.43 | 25.43 | 25.43 | 25.43 | 25.43 | 25.43 | 25.43 | 25.43 | 25.43 | 25.43 |
| Kentwood | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 |
| Cascade | 25.75 | 25.75 | 23.53 | 23.53 | 23.53 | 23.53 | 23.53 | 23.53 | 23.53 | 23.53 |
| Grand Rapids Township | 13.56 | 13.56 | 14.08 | 14.08 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 | 14.42 |
| Tallmadge Township | 7.75 | 7.75 | 2.84 | 2.84 | 2.40 | 2.40 | 2.40 | 2.43 | 2.44 | 2.44 |
| East Grand Rapids | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 |
| Ada | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 |
| Total | 142.31 | 142.31 | 135.76 | 135.76 | 136.10 | 135.66 | 135.66 | 135.69 | 135.70 | 135.70 |

| | SEWER - RATE STUDY YEAR | | | | | | | | | |
|-----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| UAB Partners | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Grand Rapids | 45.30 | 45.30 | 45.36 | 45.36 | 45.36 | 45.36 | 45.36 | 45.36 | 45.36 | 45.36 |
| Walker | 19.26 | 19.26 | 19.26 | 20.17 | 20.17 | 20.17 | 20.17 | 20.17 | 20.17 | 20.17 |
| Kentwood | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.29 | 14.29 | 14.28 | 14.28 |
| Cascade | 25.75 | 25.75 | 23.53 | 23.53 | 23.53 | 23.53 | 23.53 | 23.53 | 23.53 | 23.53 |
| Grand Rapids Township | 12.17 | 12.17 | 12.17 | 12.17 | 12.17 | 11.82 | 11.82 | 11.82 | 11.82 | 11.82 |
| Tallmadge Township | 7.75 | 7.75 | 2.84 | 2.84 | 2.84 | 2.40 | 2.40 | 2.43 | 2.44 | 2.44 |
| Wright Township | - | - | - | 0.89 | 0.89 | 0.89 | 0.89 | 0.89 | 0.89 | 0.89 |
| East Grand Rapids | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 |
| Ada | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 | 7.15 |
| Meijer - Algoma | - | - | - | - | 0.20 | 0.20 | 0.20 | 0.20 | - | - |
| Total | 134.75 | 134.75 | 127.68 | 129.48 | 129.68 | 128.89 | 129.18 | 129.21 | 129.01 | 129.01 |

| | WATER - RATE STUDY YEAR | | | | | | | | | |
|-----------------------|-------------------------|--------|--------|--------|--|--|--|--|--|--|
| UAB Partners | 2010 | 2011 | 2012 | 2013 | | | | | | |
| Grand Rapids | 45.36 | 45.36 | 45.36 | 45.36 | | | | | | |
| Walker | 25.43 | 25.43 | 25.43 | 25.43 | | | | | | |
| Kentwood | 14.00 | 14.00 | 14.00 | 14.00 | | | | | | |
| Cascade | 20.45 | 20.45 | 20.45 | 20.45 | | | | | | |
| Grand Rapids Township | 10.73 | 10.93 | 10.93 | 10.93 | | | | | | |
| Tallmadge Township | 2.44 | 2.44 | 2.44 | 2.44 | | | | | | |
| East Grand Rapids | 3.37 | 3.37 | 3.37 | 3.37 | | | | | | |
| Ada | 7.15 | 7.15 | 7.15 | 7.15 | | | | | | |
| Total | 128.93 | 129.13 | 129.13 | 129.13 | | | | | | |

| | SEWER - RATE STUDY YEAR | | | | | | | | | |
|-----------------------|-------------------------|--------|--------|--------|--|--|--|--|--|--|
| UAB Partners | 2010 | 2011 | 2012 | 2013 | | | | | | |
| Grand Rapids | 45.36 | 45.36 | 45.36 | 45.36 | | | | | | |
| Walker | 20.17 | 20.17 | 20.17 | 20.17 | | | | | | |
| Kentwood | 14.28 | 14.28 | 14.28 | 14.28 | | | | | | |
| Cascade | 16.21 | 16.21 | 16.21 | 16.21 | | | | | | |
| Grand Rapids Township | 7.79 | 7.95 | 7.95 | 7.95 | | | | | | |
| Tallmadge Township | 2.44 | 2.44 | 2.44 | 2.44 | | | | | | |
| Wright Township | 0.89 | 0.89 | 0.89 | 0.89 | | | | | | |
| East Grand Rapids | 3.37 | 3.37 | 3.37 | 3.37 | | | | | | |
| Ada | 7.15 | 7.15 | 7.15 | 7.15 | | | | | | |
| Meijer - Algoma | - | - | - | - | | | | | | |
| Total | 117.66 | 117.82 | 117.82 | 117.82 | | | | | | |

CITY OF GRAND RAPIDS, MICHIGAN
2013 PRELIMINARY WATER/SEWER RATE STUDY
HISTORY OF RATE CHANGES
FOR RATES EFFECTIVE JANUARY 1

| Rate Study Year | Water Supply System | | | Sewage Disposal System | | |
|--------------------------------|---------------------------------|--|--|---------------------------------|--|---------------------------------------|
| | Revenue Requirements | % change in RR over prev year | % gross rate incr (decr) ** | Revenue Requirements | % change in RR over prev year | % gross rate incr (decr) * |
| 2001 | \$ 34,240,004 | 0.11% | 3.74% | \$ 30,827,952 | -4.16% | -1.20% |
| 2002 | 34,423,700 | 0.54% | 0.48% | 31,843,039 | 3.29% | 5.15% |
| 2003 | 35,146,650 | 2.10% | -2.18% | 30,596,272 | -3.92% | -4.03% |
| 2004 | 35,193,350 | 0.13% | 4.41% | 32,212,584 | 5.28% | 9.03% |
| 2005 | 37,329,089 | 6.07% | 5.94% | 36,283,756 | 12.64% | 12.76% |
| 2006 | 39,629,260 | 6.16% | 0.63% | 38,301,107 | 5.56% | 4.94% |
| 2007 | 40,270,271 | 1.62% | 4.95% | 42,742,825 | 11.60% | 15.73% |
| 2008 | 42,017,680 | 4.34% | 2.45% | 47,092,925 | 10.18% | 14.69% |
| 2009 | 42,939,752 | 2.19% | 9.89% | 51,378,424 | 9.10% | 14.04% |
| 2010 | 41,200,107 | -4.05% | -6.27% | 49,673,390 | -3.32% | -3.30% |
| 2011 | 41,802,404 | 1.46% | 5.15% | 50,082,541 | 0.82% | 2.89% |
| 2012 | 39,247,442 | -6.11% | -4.41% | 48,183,681 | -3.79% | -2.46% |
| 2013 * | 38,646,748 | -1.53% | -4.30% | 48,946,212 | 1.58% | 2.46% |
| AVG | 38,622,035 | 1.00% | 1.58% | 41,397,285 | 3.45% | 5.44% |

* Proposed Revenue Requirements per the 2013 Preliminary Rate Study.

** The percentage gross rate increase (decrease) differs from the annual percentage change in Revenue Requirements due to differences in usage volumes/customers/application of Circuit Breaker.

CITY OF GRAND RAPIDS, MICHIGAN
2013 PRELIMINARY WATER/SEWER RATE STUDY
HISTORY OF INTEGRATED CONNECTION FEES
FOR RATES EFFECTIVE JANUARY 1

| <i>Fiscal Year</i> | <i>Water Supply System</i> | | | <i>Sewage Disposal System</i> | | |
|------------------------|----------------------------|------------------------------------|------------------------------------|-------------------------------|------------------------------------|------------------------------------|
| | <i>Revenue</i> | <i>% change over prev year</i> | <i>% change over base year</i> | <i>Revenue</i> | <i>% change over prev year</i> | <i>% change over base year</i> |
| 2001 * | \$ 1,688,655 | | | \$ 529,512 | | |
| 2002 | 1,747,837 | 3.5% | 3.5% | 897,046 | 69.4% | 69.4% |
| 2003 | 1,955,088 | 11.9% | 15.8% | 1,284,551 | 43.2% | 142.6% |
| 2004 | 1,992,022 | 1.9% | 18.0% | 1,554,485 | 21.0% | 193.6% |
| 2005 | 1,826,121 | -8.3% | 8.1% | 1,651,009 | 6.2% | 211.8% |
| 2006 | 1,568,310 | -14.1% | -7.1% | 1,428,021 | -13.5% | 169.7% |
| 2007 | 1,132,446 | -27.8% | -32.9% | 1,058,619 | -25.9% | 99.9% |
| 2008 | 1,036,449 | -8.5% | -38.6% | 960,323 | -9.3% | 81.4% |
| 2009 | 676,881 | -34.7% | -59.9% | 627,908 | -34.6% | 18.6% |
| 2010 | 822,349 | 21.5% | -51.3% | 650,955 | 3.7% | 22.9% |
| 2011 | 548,364 | -33.3% | -67.5% | 541,602 | -16.8% | 2.3% |
| 2012 | 676,539 | 23.4% | -59.9% | 607,262 | 12.1% | 14.7% |
| 2013 | 803,059 | 18.7% | -52.4% | 782,106 | 28.8% | 47.7% |

* base year

MEETING NOTICE



CITY OF GRAND RAPIDS

Utility Advisory Board

2014 Meeting Schedule

The Utility Advisory Board meets on the third Thursday of each month beginning at 8:00 a.m. Meetings rotate among the City and partner communities.

The Utility Advisory Board will meet on the following dates in 2014:

| | |
|-------------|--------------|
| January 16 | July 17 |
| February 20 | August 21 |
| March 20 | September 18 |
| April 17 | October 16 |
| May 15 | November 20 |
| June 19 | December 18 |



CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

DATE: November 26, 2013

TO: Gregory A. Sundstrom, City Manager

COMMITTEE: Fiscal Committee

LIAISON: Scott Buhner, Chief Financial Officer

FROM: Joellen Thompson, PE, Water System Manager
Mike Lunn, Environmental Service Department Manager
Haris Alibašić, Office of Energy and Sustainability Manager

SUBJECT: CONSUMERS ENERGY GREEN GENERATION PROGRAM

The City's Water Department and Environmental Services Department have participated in the Consumers' Energy Green Generation program since November 2007 and currently purchase 110,808 blocks of renewable energy for the discounted price of \$1.05 per block. The total annual cost of \$116,350 is split between the Water Supply System Fund and Sewage Disposal System Fund accounts. The ultimate goal is to be at 100% renewable energy goal by 2020 for these two accounts based on the City's Sustainability Plan. The green generation purchases are charged on a month to month basis. The participation in the Green Generation Program is cost neutral in that expenses equal to the cost of participation were reduced in the first year of the partnership and the base costs of participation are now included in the rate base. Therefore, there was no impact on rates from entering into the agreement.

Past participation in this program was endorsed by the Utility Advisory Board (UAB) and approved by the City Commission. At the last UAB meeting on November 21, 2013, UAB Board members accepted the renewal of a Green Generation Participation Agreement with Consumers Energy with the provision that the cost of participation would be accounted for as a non-integrated cost solely allocated to the City of Grand Rapids.

There is no additional system impact from participating in this program. In addition to annual savings from energy efficiency that we have reinvested in energy improvements, the City as a whole also received \$215,612 in energy optimization rebates from Consumers Energy. Consumers Energy is developing a proposal for an additional partnership with the City as incentives for assistance in promoting the energy efficiency and renewable energy programs to residents.

The current pricing is a result of the 2011 Michigan Public Services Commission's rate order that reduced the price per block of green generation. For the volume of green blocks purchased by the City of Grand Rapids, this monthly cost was reduced from \$1.50/block to \$1.05/block, resulting in an annual cost avoidance of \$49,864. The UAB used the savings for investments in energy projects.

The use of renewable energy protects our source of drinking water. According to the State of Michigan's Water Quality and Pollution Control in Michigan 2012 Sections 303(d), 305(b), and 314 Integrated Report, the primary source of pollutants to the Great Lakes is Atmospheric Deposition. All of Michigan's Great Lakes, bays, and Lake St. Clair (42,167 mi²) are listed as not supporting one or more designated uses. Nearly 70% of the rivers and streams are similarly affected by Atmospheric Deposition. By participating in this program, the City takes positive action to protect our drinking water source by limiting coal fired power plants as a source of energy for the Water and Sewer System to reduce the impact on the drinking water. By participating in this program, the two departments have been able to reduce approximately 16,390 metric tons of CO₂e annually.

We recommend adoption of the attached resolution that would authorize continuation of our participation in this program.

HA/EDL

cc. Eric DeLong, Deputy City Manager

YOUR FISCAL COMMITTEE recommends adoption of the following resolution authorizing the City to enter into Green Generation Participation Agreement for the Renewable Energy Program with Consumers Energy.

CORRECT IN FORM

DEPARTMENT OF LAW

FISCAL COMMITTEE

Com. _____, supported by Com. _____,
moved to adopt the following ordinance:

RESOLVED, that a Green Generation Participation Agreement for the Renewable Energy Program between the City of Grand Rapids and Consumers Energy, for the discounted price of \$1.05 per block for a total of \$116,348 a year is split evenly between Water Supply System Fund, Account Code 434203-9210 and Sewer Disposal System Fund, Account Code 442301-9210, for a period of 36 months with an option for renewal for up to an additional 36 months, effective December 4, 2013 is hereby approved and the Mayor is authorized to execute said agreement in a form to be approved by the City Attorney.

RESOLVED, that any further reductions in pricing per block shall be applied to the total amount of allowable annual cost and staff is directed to coordinate the total amounts of purchase with Consumers Energy.

Drafted by: Haris Alibašić